Michigan Department of Treasury 496 (02/06) 496 (2-06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

issueu u	iliuci F.A.	. 2 01 1906, a	is amen	ided and i	r.A. /1 01 191	19, as amended										
	Sovernme County		ХТ	wp	Village	; <u> </u>	Other	L	ocal Unit	Name Charter Township		County MONROE				
	Year End	1 1, 2007		Opinion D May 2,			Date Audit	t Repor		ed to State 20, 2008		I				
We aff	firm that	t:														
We are	e certifie	ed public a	accour	ntants li	icensed to p	practice in Mi	ichigan.									
			•	_		ponses have commendation		osed ii	n the fina	ancial statements, in	cluding tl	he notes, or in	the			
,	YES	NO	Che	eck ead	ch applica	able box bo	elow. (See	instru	ctions fo	r further detail.)						
1	Х						-			are included in the fints as necessary.	inancial s	statements and	d/or			
2	Х									s unreserved fund ba et for expenditures.	alances/u	unrestricted ne	t assets			
3	Х		The	local ur	nit is in com	pliance with	the Uniform	n Char	t of Acco	unts issued by the D	Departme	ent of Treasury	′ .			
4	Х		The	local ur	nit has adop	oted a budge	t for all requ	uired fu	unds.							
5	Х		A pr	ublic he	aring on the	e budget was	s held in acc	cordar	nce with S	State statute.						
The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.																
7 X The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.																
8	8 x The local unit only holds deposits/investments that comply with statutory requirements.															
9	Х	The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin).														
10	Х		of ou	ur audit	that have n	not been prev	iously comn	munica	ated to th	nt, which came to ounce Local Audit and Fesubmit a separate	inance D	ivision (LAFD)). If			
11	Х		The	local ur	nit is free of	repeated co	mments fror	m prev	vious yea	ars.						
12	Х		The	audit o	pinion is UN	NQUALIFIED										
13	Х					plied with GA rinciples (GA		SASB 3	34 as mo	odified by MCGAA S	tatement	#7 and other	generally			
14	Х		The	board o	or council ar	pproves all ir	voices prior	r to pa	yment a	s required by charte	r or statu	te.				
15	Х		To	our kno	wledge, bar	nk reconciliat	tions that we	ere rev	viewed w	rere performed timel	ly.					
include	ed in thi	s or any of	ther a	audit rep		they obtain a				the boundaries of the enclose the name(not			
I, the ι	undersig	jned, certif	fy tha	t this sta	atement is o	complete and	d accurate in	n all re	espects.							
We ha	ve enc	losed the	follo	wing:				E	Enclosed	Not Required (ent	er a brief	justification)				
Financ	cial Stat	ements							Х							
The le	tter of c	omments	and re	ecomme	endations.				Х							
	(Describ															
Certified		count (Firm N Guire &		Dolo C	·DAc			-		Tele[phone Number 734-854-5044						
Street A										City	-004-00	State	Zip			
Authoriz	ing CPA S	Signature		or Roa				F	Printed Nam	Lambertville		MI License Number	<u> </u>	48144		
	4	onar	-	. >~	ر م	ine			Dona	von McGuire		110100838	6			



McGuire & McDole Certified Public Accountants

L. Donavon McGuire, CPA Mark McDole, CPA 6588 Secor Road Lambertville, MI 48144 Tel 734-854-5044 Fax 734-854-2540

May 2, 2008

Berlin Charter Township Board Newport, MI

Dear Board Members,

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berlin Charter Township for the year ended December 31, 2007, and have issued our report thereon dated May 2, 2008. Professional standards require that we provide you with the following information related to our audit.

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

We performed the audit according to the planned scope and timing previously communicated to you in our meeting with management.

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Berlin Charter Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year ended December 31, 2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

The disclosures in the financial statements are neutral, consistent and clear.

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

We have requested certain representations from management that are included in the management representation letter.

Berlin Charter Township May 2, 2008

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

We generally discuss a variety of matters, including the application of accounting principles, and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In planning and performing our audit of the financial statements of Berlin Charter Township as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Berlin Charter Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

As a result of our audit, we offer the following comments and/or recommendations for your consideration which we do not deem to be significant deficiencies.

<u>Future Revenues</u> - The State of Michigan budget deficit and the decline in the housing market may both have an impact on the Township's revenues related to state shared revenue, taxable value and building permits. The forecasted revenues and collections should closely monitored.

Interfund Balances – The interfund liability should be repaid.

Disbursements – All invoices should indicate an approval for payment.

<u>Utility Receivables</u> – The water and sewer accounts receivable should be reconciled on a quarterly basis from the detail to the general ledger accounts.

We would like to take this opportunity to thank both the Board Officials and the employees who provided assistance to us during our audit. If you have any questions regarding any of the suggestions noted above or would like assistance in implementation, please contact us.

Sincerely,

L. Donavon McGuire, CPA McGuire & McDole

Donavon mª Duice

Certified Public Accountants

Monroe County, Michigan

<u>FINANCIAL STATEMENTS</u> <u>FOR THE YEAR ENDED DECEMBER 31, 2007</u>

TABLE OF CONTENTS

	Page No
Independent Auditor's Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government -Wide Statement of Net Assets	5
Government-Wide Statement of Activities	6
Governmental Fund Balance Sheet	7
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	8
Proprietary Fund Statement of Net Assets	9
Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets	10
Proprietary Fund Statement of Cash Flows	11
Fiduciary Statement of Net Assets	12
Fiduciary Statement of Changes in Plan Net Assets	13
Notes to the Financial Statements	14-23
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	24
Budgetary Comparison Schedule - Fire Fund	25
Budgetary Comparison Schedule - Building Fund	26



McGuire & McDole

Certified Public Accountants

L. Donavon McGuire, CPA Mark McDole, CPA 6588 Secor Road Lambertville, MI 48144 Tel 734-854-5044 Fax 734-854-2540

INDEPENDENT AUDITORS' REPORT

Township Board Berlin Charter Township 8000 Swan View Newport, Michigan 48166

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Berlin Charter Township, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berlin Charter Township, Michigan as of December 31, 2007, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 4 and 24 through 26 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Berlin Charter Township's basic financial statements. The supplementary combining nonmajor fund financial statements and budgetary comparisons are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary combining nonmajor fund financial statements and budgetary comparisons have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

mc Suie & me Sole

McGuire & McDole
Certified Public Accountants

May 2, 2008

Berlin Charter Township

Management's Discussion and Analysis December 31, 2007

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 2.1% from a year ago – increasing from 23,505.9 thousand to 24,000.2 thousand. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase, of approximately \$660.3 thousand during the year (6.3% increase). The business-type activities experienced a \$166.0 thousand decrease in net assets, primarily as a result of an decrease in new tap ins. In a condensed format, the table below shows a comparison (in thousands of dollars) of the net assets as of the current date to the prior year:

		rnmental tivities		ess-Type ivities	Total			
	2007	2006	2007	2006	2007	2006		
Current Assets Noncurrent Assets	\$ 7,146.4 4,541.3	\$ 7,172.7 4,087.0	\$ 4,785.8 12,383.5	\$ 3,812.1 12,882.6	\$ 11,932.2 16,924.7	\$ 10,984.8 16,969.6		
Total Assets	11,687.7	11,259.7	17,169.3	16,694.7	28,856.9	27,954.4		
Long-Term Debt Outstanding Other Liabilities	614.0 8.9	841.5 13.6	4,140.0 93.9	3,495.0 98.2	4,754.0 102.8	4,336.5 111.8		
Total Liabilities	622.9	855.1	4,233.9	3,593.2	4,856.7	4,448.3		
Net Assets Invested in Capital Assets-								
Net of Debt	3,927.3	3,245.5	8,863.5	9,387.6	12,790.7	12,633.1		
Restricted	266.9	266.9	613.1	613.1	880.0	880.0		
Unrestricted	6,870.6	6,892.1	3,458.8	3,100.7	10,329.4	9,992.8		
Total Net Assets	\$ 11,064.8	\$ 10,404.5	\$ 12,935.4	\$ 13,101.4	\$ 24,000.2	\$ 23,505.9		

Unrestricted net assets--the part of net assets that can be used to finance day to day operations, decreased by \$21,500 for the governmental activities. This represents an decrease of approximately .3%. The current level of unrestricted net assets for our governmental activities stands at \$6,870,600, or about 430% of expenditures.

Management's Discussion and Analysis December 31, 2007

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	Gover	nmei	ntal	Business-Type							
	 Acti	vities	S		Act	ivitie	s			Total	
	2007		2006		2007		2006		2007		2006
Program Revenues											
Charges for Services	\$ 3.6	\$	6.1	\$	1,551.0	\$	1,411.4	\$	1,554.7	\$	1,417.5
Operating Grants and											
Contributions	604.1		560.8		-		-		604.1		560.8
Capital Grants and											
Contributions	-		-		78.8		258.0		78.8		258.0
General Revenues											
Property Taxes	217.3		203.9		-		-		217.3		203.9
State-Shared Revenues	367.2		451.9		-		-		367.2		451.9
Franchise Fees and Permits	692.6		721.2		-		-		692.6		721.2
Unrestricted Investment											
Earnings	337.9		272.2		177.1		139.6		515.0		411.8
Transfers and Other											
Revenue	37.1		271.4		-				37.1		271.4
	2,259.9		2,487.5		1,807.0		1,809.0		4,066.9		4,296.5
Program Expenses											
General Government	487.7		516.5		-		_		487.7		516.5
Public Safety	544.1		537.1		_		_		544.1		537.1
Public Works	507.9		46.9		_		_		507.9		46.9
Recreation and Culture	29.2		24.6		-		-		29.2		24.6
Interest on Long-Term	30.7		44.1		_		_		30.7		44.1
Debt					-		-		-		-
Water and Sewer	-		-		1,973.0		2,382.9		1,973.0		2,382.9
Total Expenses	1,599.6		1,169.2		1,973.0		2,382.9		3,572.7		3,552.1
Change in Net Assets	\$ 660.2	\$	1,318.3	\$	(166.0)	\$	(573.9)	\$	494.2	\$	744.4

The Township's net assets continue to remain healthy. The total revenues decreased by \$229,600 due to tap-in revenue and assessments while expenses increased by .6%. As a result, net assets grew by \$494,200, compared to a prior year increase of \$744,400.

Governmental Activities

The Township's total governmental revenues decreased by approximately \$227,600 as a result of a decrease in state shared and other revenue.

Expenses increased by \$430,400 during the year. This was primarily the result of increased public works expenses.

Business-Type Activities

The Township's business-type activities consist of a Water and a Sewer Fund. Water is purchased from the City of Detroit. Sewage treatment is provided to residents through our own treatment facility.

Berlin Charter Township

Management's Discussion and Analysis December 31, 2007

The Township's Funds

Our analysis of the Township's major funds begins on page 7, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, the Fire Fund, and the Building Inspection Fund.

The General Fund pays for most of the Township's governmental services. Fire protection is provided by the Fire Fund which receives revenues from a Township wide assessment.

General Fund Budgetary Highlights

During the fiscal period 2007, the Township Board amended the budget to reflect changes which took place during the year. There were no material changes.

All departments were within budget allocation.

Capital Asset and Debt Administration

At December 31, 2007, the Township had \$16,924,730 invested in a broad range of capital assets, including buildings, fire equipment, and water and sewer lines.

Debt totaled \$4,753,982 which will be retired over the next twenty-one years. One water debt issue was partially refunded during the year.

Economic Factors and Next Year's Budgets and Rates

The General Fund 2008 budget is expected to be \$1,717,885. This is a substantial decrease from the prior year amount of \$2,527,905. This projected decrease is due to a reduction in the road improvements program.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

GOVERNMENT WIDE STATEMENT OF NET ASSETS DECEMBER 31, 2007

	Primary Government									
	Governmental	Business - Type								
	Activities	Activities	Total							
Assets										
Cash and Cash Equivalents	\$ 5,477,523	\$ 4,113,185	\$ 9,590,708							
Receivables (Net of Allowance for Uncollectibles):		450.000	450.000							
Accounts	-	450,820	450,820							
Taxes	203,330 981,309	-	203,330 981,309							
Assessments Due From State of Michigan	119,495	-	119,495							
Inventory	119,495	102,656	102,656							
Deferred Charges, Net of Amortization	_	118,056	118,056							
Restricted Cash With Fiscal Agent	364,745	1,085	365,830							
Nootholog Gaen Will Flood Agent	7,146,402	4,785,802	11,932,204							
		,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,							
Capital Assets:										
Land	651,600	-	651,600							
Buildings and System	1,462,800	21,579,352	23,042,152							
Improvements Other than Buildings	204,715	-	204,715							
Infrastructure	1,510,529	-	1,510,529							
Machinery and Equipment	1,857,861	833,881	2,691,742							
Construction in Progress	- (4.440.00 7)	(40,000,704)	(44.470.000)							
Less Accumulated Depreciation	(1,146,227)	(10,029,781)	(11,176,008)							
Total Capital Assets (Net of Accumulated Depreciation)	4,541,278	12,383,452	16,924,730							
Total Assets	11,687,680	17,169,254	28,856,934							
Liabilities										
Accounts Payable	4,050	55,899	59,949							
Accrued Expenses	4,848	37,954	42,802							
Noncurrent Liabilities:										
Due Within One Year	233,982	228,664	462,646							
Due in More Than One Year	380,000	3,911,336	4,291,336							
Total Liabilities	622,880	4,233,853	4,856,733							
Net Assets										
Invested in Capital Assets Net of Related Debt	3,927,296	8,863,452	12,790,748							
Restricted for:										
Improvements	266,916	613,101	880,017							
Unrestricted	6,870,588	3,458,848	10,329,436							
Total Net Assets	<u>\$ 11,064,800</u>	<u>\$ 12,935,401</u>	\$ 24,000,201							

GOVERNMENT WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2007

				Pro	gram Revenues	3					pense) Revenue iges in Net Asse		
					Operating		Capital	Primary Government					
		Cl	harges for		Grants and	Gı	rants and	Governmental		В	usiness-Type		
Functions/Programs	Expenses		Services		Contributions	Co	ntributions		Activities		Activities		Total
Primary Government													
Governmental Activities:													
General Government	\$ 487,696	\$	3,615	\$	-	\$	-	\$	(484,081)	\$	-	\$	(484,081)
Public Safety	544,100		_		604,116		-		60,016		-		60,016
Public Works	507,934		-		-		-		(507,934)		-		(507,934)
Culture and Recreation	29,177		-		-		-		(29,177)		-		(29,177)
Interest on Long-Term Debt	30,719		-		-		-		(30,719)		-		(30,719)
Total Governmental Activities	1,599,626		3,615		604,116		-		(991,895)		-		(991,895)
Business-Type Activities:													
Sewer	852,884		706,212		-		8,500				(138,172)		(138,172)
Water	1,120,164		844,825		-		70,323				(205,016)		(205,016)
Total Business-Type Activities	1,973,048		1,551,037	_	<u> </u>		78,823				(343,188)		(343,188)
Total Primary Government	\$ 3,572,674	\$	1,554,652	\$	604,116	\$	78,823		(991,895)		(343,188)		(1,335,083)
	General Revenu	ıes:											
	Property Taxe								217,267		-		217,267
	State Shared	Rever	nues						367,249		-		367,249
	Franchise Fee	es and	Permits						692,621		-		692,621
	Unrestricted In	nvestn	nent Earnings	S					337,880		177,145		515,025
	Miscellaneous	3							37,113		-		37,113
	Transfers								-		-		-
	Total Genera	al Reve	enues and Tr	ans	fers				1,652,130		177,145		1,829,275
	Change in I	Net As	ssets						660,235		(166,043)		494,192
	Net Assets - Beç	ginninę	g						10,404,565		13,101,444		23,506,009
	Net Assets - End	ding			-6-			\$	11,064,800	\$	12,935,401	\$	24,000,201

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2007

Assets		General		Fire		Building	G	Total overnmental Funds		
Cash and Cash Equivalents Taxes Receivable Due From State Assessments Receivable	\$	4,189,659 203,330 119,495 403,157	\$	1,012,450 - - 578,152	\$	275,414 - - -	\$	5,477,523 203,330 119,495 981,309		
Restricted Cash		364,745		-		-		364,745		
Total Assets	\$	5,280,386	\$	1,590,602	\$	275,414	\$	7,146,402		
Liabilities and Fund Balance										
Liabilities:										
Accounts Payable	\$	4,050	\$	-	\$	-	\$	4,050		
Deferred Revenue		615,167	_	604,205		-		1,219,372		
Total Liabilities		619,217		604,205		<u> </u>		1,223,422		
Fund Equity : Fund Balance:										
Unreserved-Undesignated		4,394,253		986,397		275,414		5,656,064		
Reserved Total Fund Equity		266,916 4,661,169		986,397	-	275,414		266,916 5,922,980		
Total I und Equity		4,001,103		300,337		270,414		3,322,300		
Total Liabilities and Equity	\$	5,280,386	\$	1,590,602	\$	275,414				
Amounts report different becaus		governmental activ	vities i	n the statement o	of net	assets are				
		governmental actione, are not reporte						4,541,278		
•	Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.									
		cluding bonds pay				ole		(618,830)		
Net Assets of	\$	11,064,800								

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2007

		General		Fire		Building	Go	Total overnmental Funds
Revenues:					_			
Taxes	\$	203,395	\$	-	\$		\$	203,395
Licenses and Permits		581,330		-		111,291		692,621
State Grants		364,274		2,975		-		367,249
Charges for Services		3,615				-		3,615
Special Assessments		61,112		560,798		-		621,910
Fines and Forfeits		11,601				-		11,601
Interest		266,171		54,499		17,210		337,880
Other		22,285		6,027		-		28,312
Total Revenues		1,513,783		624,299		128,501		2,266,583
Expenditures: Current:								
General Government		477,005		-		-		477,005
Public Safety		-		223,108		229,557		452,665
Public Works		1,082,460		_		-		1,082,460
Recreational and Cultural		16,401		-		-		16,401
Debt Service:								
Principal		65,000		162,482		-		227,482
Interest and Fiscal Charges		17,460		13,259		-		30,719
Total Expenditures		1,658,326		398,849		229,557		2,286,732
		_						
Excess of Revenue Over (Under) Expenditures		(144,543)		225,450		(101,056)		(20,149)
Other Financing Sources (Uses): Operating Transfers In		-		-		_		_
Operating Transfers Out		<u> </u>						
Total Other Financing Sources (Uses)		<u>-</u>		-				
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		(144,543)		225,450		(101,056)		(20,149)
Fund Balance - Beginning		4,805,712		760,947		376,470		
Fund Balance - Ending	\$	4,661,169	\$	986,397	\$	275,414		
Amounts reported for governmental activities in the statem	ent of a	activities are differ	rent be	cause:				
-Governmental funds report capital outlays as expenditures assets is allocated over their estimated useful lives and rep which capital outlays exceeded depreciation in the current	orted	as depreciation ex				by		457,078
-Special assessment and similar revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.								
-Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)								
-The net effect of transactions involving capital assets (I.e., net assets	, sales,	trade-ins, and do	nation	s is to decreas	е			(2,800)
-Some expenses reported in the statement of activities do and, therefore, are not reported as expenditures in government.			rrent fi	nancial resourd	ces			2,546
							_	000.5==
Change in Net Assets of Governmental Act	ivitie	S					\$	660,235

BERLIN CHARTER TOWNSHIP PROPRIETARY FUNDS STATEMENT OF NET ASSETS DECEMBER 31, 2007

	Sewage System Current Year	Sewage System Prior Year	Water System Current Year	Water System Prior Year	Totals
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 3,247,824	\$ 2,448,039	\$ 865,361	\$ 876,997	\$ 4,113,185
Accounts Receivable	216,496	192,285	234,324	192,116	450,820
Inventory	-	-	102,656	101,567	102,656
Due from Other Funds			22,179	22,179	22,179
Total Current Assets	3,464,320	2,640,324	1,224,520	1,192,859	4,688,840
Noncurrent Assets:					
Restricted Cash	549	549	536	536	1,085
Deferred Charges, Net of Amortization	-	-	118,056	-	118,056
Total Noncurrent Assets	549	549	118,592	536	119,141
Capital Assets:					
Buildings and System	11,735,623	11,718,107	9,843,729	9,836,997	21,579,352
Machinery and Equipment	833,881	819,170	3,043,723	3,030,337	833,881
Construction in Progress	-	-	_	_	-
Less Accumulated Depreciation	(5,589,166)	(5,308,027)	(4,440,615)	(4,183,653)	(10,029,781)
Net Capital Assets	6,980,338	7,229,250	5,403,114	5,653,344	12,383,452
•					
Total Assets	10,445,207	9,870,123	6,746,226	6,846,739	17,191,433
Liabilities					
Current Liabilities:					
Accounts Payable	48	1,264	55,851	67,633	55,899
Accrued Expenses	11,476	11,758	26,478	17,584	37,954
Due to Other Funds	22,179	22,179	-		22,179
Current Portion - Installment Note	108,664	-	-	-	108,664
Current Portion - Bonds Payable	45,000	40,000	75,000	60,000	120,000
Total Current Liabilities	187,367	75,201	157,329	145,217	344,696
Noncurrent Liabilities:					
Installment Note	511,336	-	-	-	511,336
Bonds Payable	1,575,000	1,620,000	1,825,000	1,775,000	3,400,000
Total Liabilities	2,273,703	1,695,201	1,982,329	1,920,217	4,256,032
Net Assets					
Invested in Capital Assets, Net of Related Debt	5,360,338	5,569,250	3,503,114	3,818,344	8,863,452
Restricted For Improvements	192,675	192,675	420,426	420,426	613,101
Unrestricted	2,618,491	2,412,997	840,357	687,752	3,458,848
Total Net Assets	\$ 8,171,504	\$ 8,174,922	\$ 4,763,897	\$ 4,926,522	\$ 12,935,401

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2007

				Business-ty	pe Ac	tivities - Enter	orise F	unds		
		Sewage System		Sewage System		Water System		Water System		
	Cı	ırrent Year		Prior Year	C	urrent Year		Prior Year		Totals
		inent rear		-noi reai		unent rear		TIOI Teal		Totals
Operating Revenue:										
Use Charges	\$	509,826	\$	465,426	\$	567,405	\$	495,498	\$	1,077,231
Capital Improvement Charges		169,129		164,100		213,161		207,872		382,290
Meter Service		-		-		17,367		17,163		17,367
Turn On/Off Charges		-		-		1,580		1,410		1,580
Late Charges	15,012			16,715		14,170		15,264		29,182
Other		12,245		6,176		31,142		21,806		43,387
Total Operating Revenue	706,212		652,417			844,825		759,013		1,551,037
Operating Expenses										
Water Purchases		-		-		417,222		395,072		417,222
Wages		141,888		137,147		130,848		128,234		272,736
Benefits		83,900		78,927		83,169	78,551			167,069
Supplies		55,988		52,497		9,694		9,698		65,682
Professional Services		18,322		14,529		17,529		7,638		35,851
Repair and Maintenance		74,888		86,653		68,075		184,805		142,963
Insurance		17,274		15,280		17,274		15,280		34,548
Utilities		85,310		87,441		8,494		10,252		93,804
Other		17,723		345,634		5,713		1,747		23,436
Amortization		-		-		6,944		-		6,944
Depreciation		281,139		288,162		256,962		256,885		538,101
Total Operating Expenses		776,432		1,106,270		1,021,924		1,088,162		1,798,356
Operating Income (Loss)		(70,220)		(453,853)		(177,099)		(329,149)		(247,319)
Non-Operating Revenues (Expenses):										
Interest Income		134,754		103,378		42,391		36,166		177,145
Interest Expense		(76,452)		(78,135)		(98,240)		(110,332)		(174,692)
Tap Fees		8,500		78,300		70,323		179,661		78,823
Total Non-Operating Income (Loss)		66,802		103,543		14,474		105,495		81,276
Change in Net Assets	(3,4		(350,310)			(162,625)		(223,654)		(166,043)
Total Net Assets - Beginning		8,174,922		8,525,232		4,926,522		5,150,176		13,101,444
Total Net Assets - Ending	\$	8,171,504	\$	8,174,922	\$	4,763,897	\$	4,926,522	\$	12,935,401

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS DECEMBER 31, 2007

				Business-	type i	Activities - Ente	rpris	se Funds		
		Sewage		Sewage	,,	Water	•	Water		
		System		System		System		System		
	C	urrent Year		Prior Year		Current Year		Prior Year		Totals
CASH FLOWS FROM OPERATING ACTIVITIES:	•		•		•		•		•	
Receipts from customers and users	\$	682,001	\$	686,260	\$	802,618	\$	798,224	\$	1,484,619
Payments to suppliers		(354,903)		(681,187)		(631,146)		(659,155)		(986,049)
Payments to employees Net Cash Provided by Operating Activities		(141,888) 185,210	_	(137,147) (132,074)	_	(130,848) 40,624		(128,234) 10,835		(272,736) 225,834
Net Cash Provided by Operating Activities		165,210		(132,074)		40,024	_	10,033		223,634
CASH FLOWS FROM INVESTING ACTIVITIES:										
Investment Interest		134,754		103,378		42,391		36,166		177,145
Net Increase From Investing Activities		134,754		103,378		42,391		36,166		177,145
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: Transfers In (Out)		-		-		-		-		-
CASH FLOWS FROM CAPITAL AND										
RELATED FINANCING ACTIVITIES:		4-11								4
Purchases of Fixed Assets		(32,227)		(132,998)		(6,734)		(56,464)		(38,961)
Tap Fees		8,500		78,300		70,323		179,661		78,823
Proceeds From Bonds		-		-		1,705,000		-		1,705,000
Proceeds From Note Payable		620,000		(40.000)		(4.705.000)		(55.000)		620,000
Principal Payments Interest Paid		(40,000)		(40,000)		(1,765,000)		(55,000)		(1,805,000)
Net Cash Used For Capital and Related		(76,452)		(78,135)		(98,240)		(110,332)		(174,692)
Financing Activities		479,821		(172,833)		(94,651)		(42,135)		385,170
N (1 (5)) (6)										
Net Increase(Decrease) In Cash		700 705		(004 500)		(44.000)		4.000		700 4 40
and Cash Equivalents		799,785		(201,529)		(11,636)		4,866		788,149
Cash and Cash Equivalents - Beginning		2,448,588		2,650,117		877,533		872,667		3,326,121
Cash and Cash Equivalents - Ending	\$	3,248,373	\$	2,448,588	\$	865,897	\$	877,533	\$	4,114,270
Decensification of Operating Income to Not Cook										
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:										
Operating Income (Loss)	\$	(70,220)	\$	(453,853)	\$	(177,099)	\$	(329,149)	\$	(247,319)
operating moonie (2000)	Ψ	(10,220)	Ψ	(400,000)	Ψ	(177,000)	Ψ	(023,143)	Ψ	(247,010)
Depreciation		281,139		288,162		256,962		256,885		538,101
Amortization		-		-		6,944		-		6,944
(Increase) Decrease in Current Assets and Increase (Decrease) in Liabilities:										
Accounts Receivable		(24,211)		33,843		(42,207)		39,211		(66,418)
Interfunds				-		-		-		-
Accounts Payable		(1,216)		58		(11,781)		38,530		(12,997)
Accrued Expenses		(282)		(284)		8,894		(528)		8,612
Inventory				-		(1,089)		5,886		(1,089)
Total Adjustments	-	255,430		321,779		217,723		339,984		473,153
Net Cash Provided by Operating Activities	\$	185,210	\$	(132,074)	\$	40,624	\$	10,835	\$	225,834

FIDUCIARY FUND -- STATEMENT OF NET ASSETS DECEMBER 31, 2007

Assets	Pension Trust Fund	(F	Agency Fund Type Property Tax Jection Fund)
Cash and Cash Equivalents Investments at Fair Value:	\$ -	\$	953,619
Mutual Funds	1,238,275		-
Taxes Receivable			6,376,635
Total Assets	1,238,275	\$	7,330,254
Liabilities			
Due to County	<u>-</u>		1,878,487
Due to State	-		1,794,091
Due to Schools	-		3,567,042
Due to Others			90,634
Total Liabilities		\$	7,330,254
Net Assets Held in Trust for Pension Benefits	\$ 1,238,275		

FIDUCIARY FUND STATEMENT OF CHANGES IN PLAN NET ASSETS DECEMBER 31, 2007

	 Pension Trust Fund
Additions:	
Contributions	
Employer	\$ 76,899
Plan Members	 23,055
Total Contributions	99,954
Investment Income	
Net Appreciation (Depreciation) in	
Fair Value of Investments	80,685
Total Additions	 180,639
Deductions:	
Participant Withdrawals	 48,705
Total Deductions	 48,705
Net Change in Net Assets	131,934
Net Assets - Beginning	1,106,341
Net Assets - Ending	\$ 1,238,275

Berlin Charter Township NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 - Pending Litigation

NOTE 1 -	Summary of Significant Accounting Policies
NOTE 2 -	Reconciliation of Government-Wide and Fund Financial Statements
NOTE 3 -	Stewardship, Compliance and Accountability
NOTE 4 -	Deposits and Investments
NOTE 5 -	Receivables
NOTE 6 -	Capital Assets
NOTE 7 -	Interfund Receivables, Payables and Transfers
NOTE 8 -	Leases
NOTE 9 -	Long-term Debt
NOTE 10 -	Restricted Assets
NOTE 11 -	Risk Management
NOTE 12 -	Employee Retirement Plan

Berlin Charter Township Notes to Financial Statements December 31, 2007

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Berlin Charter Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Berlin Charter Township:

A - Reporting Entity

Berlin Charter Township is a municipal corporation governed by an elected seven member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Component Units

Berlin Charter Township has no component units.

B - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C - Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered available only when cash is received by the government.

Berlin Charter Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Berlin Charter Township as of the preceding December 31st. Although the Berlin Charter Township 2007 ad valorem tax is levied and collectible on December 1, 2007, it is the Berlin Charter Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). The 2007 taxable valuation of the Berlin Charter Township totaled \$299.2 million, on which ad valorem taxes levied consisted of .7036 mills for the Berlin Charter Township operating purposes. The taxes generated are recognized in the respective General Fund financial statements as taxes receivable - current or as tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for specific revenues and fire protection expenses.

The Building Fund accounts for specific revenues and inspection expenses.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the water transmission system.

The Sewer Fund accounts for the sewer treatment system expenses, construction and related debt service.

Additionally, the government reports the following fund types:

The pension trust fund accounts for the activities of the township employees retirement system which accumulates resources for pension benefit payments to qualified employees.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Berlin Charter Township
Notes to Financial Statements
December 31, 2007

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes tap fees as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

<u>Bank Deposits and Investments</u> -- Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

<u>Receivables and Payables</u> --In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

<u>Inventories and Prepaid Items</u> --Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

<u>Restricted Assets--</u> The bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of Berlin Charter Township's water and sewer lines.

<u>Capital Assets</u> --Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings 50 years
Improvements Other than Buildings 20 years
Machinery and Equipment 5 to 20 years
Water and Sewer Lines 40 to 50 years

<u>Amortization--</u>Bond Refunding of \$125,000 has been amortized over the life of the bond issue of 18 years using the straight line method. Amortization expense for 2007 is \$6,944.

<u>Compensated Absences (Vacation and Sick Leave)</u> --It is *not* the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits.

Long-Term Obligations- In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

<u>Fund Equity--</u> In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

<u>Comparative Data/Reclassifications--</u>Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

<u>Use of Estimates --</u> Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 2--RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

<u>A.</u> Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$618,830 are as follows:

 Road Bonds
 \$ (445,000)

 Fire Vehicles Notes
 (168,982)

 Accrued Interest
 (4,848)

 \$ (618,830)

NOTE 2--RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

<u>B</u> Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "-Governmental funds report capital outlays as expenditures; in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$457,078 are as follows:

Capital outlay	\$ 674,264
Depreciation	 (217,186)
	\$ 457.078

NOTE 3--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

<u>Budgetary Information--</u> Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and all special revenue funds. All annual appropriations lapse at fiscal year-end. On or before the 1st day of September the Supervisor shall prepare and submit to the Township Board a recommended budget within the tax limit and other revenue sources of the Township covering the next fiscal year. A public hearing on the budget shall be held before its final adoption. On or before the end of the fiscal year, the Township Board shall adopt a budget for the ensuing fiscal year. The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level. (i.e., The level at which expenditures may not legally exceed appropriations). The Supervisor is authorized to transfer budgeted amounts between line-items within an activity category; however, any revisions that alter the total expenditures of any activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

<u>Excess of Expenditures Over Appropriations in Budgeted Funds--</u>During the year, Berlin Charter Township incurred no expenditures which were in excess of the amounts appropriated.

Fund Deficits--Berlin Charter Township has no accumulated fund balance/retained earning deficits.

NOTE 4--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated one bank for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority

NOTE 4--DEPOSITS AND INVESTMENTS (Continued)

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

Primary Government	Go 	overnmental Activities	al Business-Type Activities Total				 Bank Balance
Cash and Cash Equivalents Restricted Cash	\$	5,477,523 364,745	\$	4,113,185 1,085	\$	9,590,708 365,830	\$ 10,982,301 367,105
Total	\$	5,842,268	\$	4,114,270	\$	9,956,538	\$ 11,349,406
	Fed	leral Depositor	y Insi	urance Covera	ige		\$ 100,000

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township evaluates each financial institution and assesses the risk level of each one, those with adequate risk levels are used for deposits. The Township has policy for this risk.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not recover the value of its investments or collateral securities that are in the custody of an outside party. The Township has only investments in mutual funds in the amount of \$1,238,275 which are uninsured, unregistered and held by counterparties for the particular securities. The Township has no policy for this risk.

Interest Rate Risk

Interest rate risk is the risk that the value on investments will decrease as a result of a rise in interest rates. The Township has no policy for this risk. The Township has no policy with respect to investment maturities.

Credit Risk

Sate law limits investments in commercial paper to the top two ratings issued by a nationaly recognized statistical rating organations. The Township follows the state guidelines and has no investments in this category. The Township has no policy for this risk.

NOTE 5--RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	 General Fund	Fire Fund		 Water Fund	 Sewer Fund	Total			
Accounts	\$ -	\$	_	\$ 234,324	\$ 216,496	\$	450,820		
Special Assessments	403,157		578,152	-	-		981,309		
Taxes	203,330		-	-	-		203,330		
Gross Receivables	606,487		578,152	234,324	216,496		1,635,459		
Less: Allowance for									
Uncollectibles	 -			-	_		-		
Net Receivables	\$ 606,487	\$	578,152	\$ 234,324	\$ 216,496	\$	1,635,459		

NOTE 5--RECEIVABLES (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailablle	Unavailablle		
Taxes	\$ 198,30)6		
Assessments	1,021,06	6		
	\$ 1 219 37	70		
	n 1./19.3/	/		

NOTE 6--CAPITAL ASSETS

Capital Assets--Net of Depreciation

		Beginning Balance	,	naraanaa	Δ.	ecreases		Ending Balance
Governmental Activities		balarice		ncreases		ecreases		balarice
Capital Assets Not Being Depreciated :								
Land	\$	651,600	\$	_	\$	_	\$	651,60
	<u> </u>	00.,000	<u>*</u>		<u> </u>		<u>*</u>	00.,00
Capital Assets Being Depreciated :								
Buildings		1,462,800		-		-		1,462,80
Improvements Other Than Buildings		204,715		-		-		204,71
Infrastructure		860,856		649,673		-		1,510,52
Machinery and Equipment		1,923,770		24,591		(90,500)		1,857,86
Subtotal		4,452,141		674,264		(90,500)		5,035,90
Less Accumulated Depreciation for : Buildings		255,802		29,256				285,05
Improvements Other Than Buildings		80,407		10,236		-		90,64
Improvements Other Man Buildings		67,375		75,526		_		142,90
Machinery and Equipment		613,157		102,168		(87,700)		627,62
Subtotal		1,016,741		217,186		(87,700)		1,146,22
Custotal		1,010,741		217,100		(07,700)		1,140,22
Net Capital Assets Being Depreciated		3,435,400		457,078		(2,800)		3,889,67
Governmental Activities Total								
Capital AssetsNet of Depreciation	\$	4,087,000	\$	457,078	\$	(2,800)	\$	4,541,27
Business-Type Activities								
Capital Assets Not Being Depreciated :								
and	\$	_	\$	_	\$	_	\$	
Construction in Progress	•	-	,	-	•		,	
· ·		-		-		-		
Capital Assets Being Depreciated :			_					
Buildings and System		21,555,104		24,248		-		21,579,35
Machinery and Equipment		819,170		14,711		-		833,88
		22,374,274		38,959		-		22,413,23
and Annual dated Donna sinting for								
Less Accumulated Depreciation for : Buildings and System		8,791,415		312,645				9,104,06
Machinery and Equipment		700,265		225,456		-		9,104,06
viacimiery and Equipment		9,491,680		538,101		<u>-</u>		10,029,78
Net Capital Assets Being Depreciated		12,882,594		(499,142)		-		12,383,45

12,882,594

(499,142) \$

12,383,452

NOTE 6--CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities		Business-Type Activities	
General Government	\$ 12,803	Sewer	\$ 281,139
Public Safety	116,081	Water	256,962
Public Works	75,526	Total Business-Type	
Recreation and Culture	12,776	Activities	\$ 538,101
Total Governmental Activities	\$ 217,186		

Construction Commitments

The Township has no construction contract commitments at December 31, 2007.

NOTE 7--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds

 Receivable Fund
 Payable Fund
 Amount

 Water
 Sewer
 \$ 22,179

Interfund Transfers

There were no interfund transfers for the year.

NOTE 8--LEASES

Berlin Charter Township had no lease obligations at December 31, 2007.

NOTE 9--LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures		Beginning Balance		Additions (Reductions)		Ending Balance		Due Within One Year	
Governmental Activities Limited Tax General Obligation Road Bonds	3.5-3.85%	2014	\$	510,000	\$	(65,000)	\$	445,000	\$	65,000	
Fire Truck Note Total Governmental Activities	4.00%	2008	<u> </u>	331,464 841,464	<u> </u>	(162,482)	<u> </u>	168,982 613,982	_ \$	168,982 233,982	

NOTE 9--LONG-TERM DEBT (Continued)

	Interest Rate	Principal Matures		Beginning Balance		Additions (Reductions)		Ending Balance		Due Within One Year
Business-Type Activities			_		_	·			_	
County Contractual Obligations										
Water Supply System 2000	5.75-6.00%	2025	\$	1,835,000	\$	(1,705,000)	\$	130,000	\$	65,000
Water Refunding Bonds 2007	4.00-4.25%	2025		-		1,770,000		1,770,000		10,000
Sewage Disposal System 2002	4.25-5.00%	2027		1,660,000		(40,000)		1,620,000		45,000
Sewer Installment Note 2007	6.50%	2012		-		620,000		620,000		108,664
Total Business-Type Activities			\$	3,495,000	\$	645,000	\$	4,140,000	\$	228,664

Annual debt service requirements to maturity for the above obligations are as follows:

	Governmental Activities						Business-Type Activities			
Year Ending	 Principal				Principal	Interest				
December 31,	 									
2008	\$ 233,982	\$	23,994	\$	228,664	\$	286,183			
2009	65,000		14,960		240,842		278,871			
2010	65,000		12,685		258,493		264,864			
2011	65,000		10,410		271,651		247,300			
2012	65,000		8,102		295,350		228,556			
2013 and after	 120,000		10,336		2,845,000		1,678,481			
Total	\$ 613,982	\$	80,487	\$	4,140,000	\$	2,984,255			

NOTE 10--RESTRICTED ASSETS

The balances of the restricted asset (cash with fiscal agent) accounts in the proprietary funds are as follows:

Debt Retirement \$ 1,085

NOTE 11--RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from the prior year.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE 12--EMPLOYEE RETIREMENT PLAN

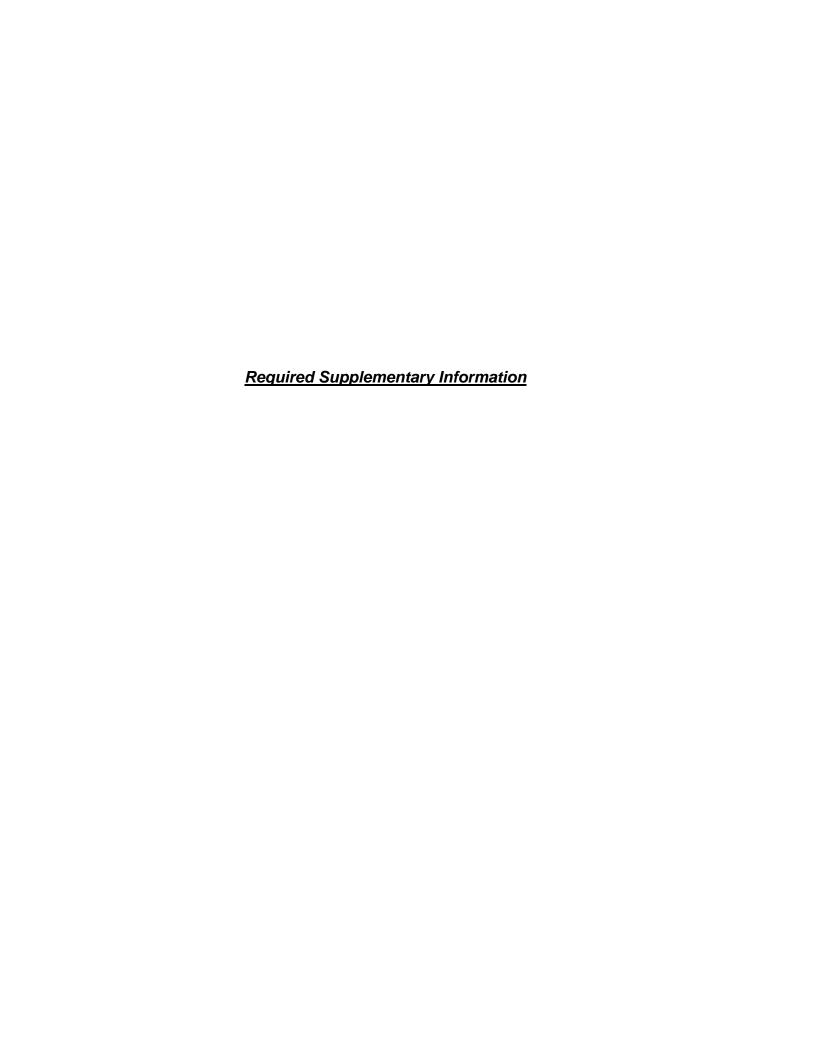
Defined Contribution Pension Plan

The Township provides pension benefits for all of its permanent employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Township contributes 15% of base wages for each employee. Employees have a mandatory contribution of 3%. An employee is fully vested after 90 days of service. An insurance company administers the plan and the Township makes monthly contributions. The Township's total payroll for the year ended December 31, 2007, was \$613,203. The Township made the required contributions amounting to \$76,899 on covered payroll of \$512,660.

The Plan was established by the Township Board and bargaining agreements and may be amended in the same manner.

Note 13 -- PENDING LITIGATION

At present, there are no cases of litigation pending that would have a material effect on the financial statements.



BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2007

		D. /. /		,		Variance with Final Budget -	
		Budgeted Original	d Amo	unts Final	Actual Amounts		Positive (Negative)
		Original		i iliai	 Amounts		(ivegalive)
Beginning Fund Balance	\$	1,798,605	\$	1,798,605	\$ 4,805,712	\$	3,007,107
Resources (Inflows)							
Taxes		188,000		188,000	203,395		15,395
Licenses and Permits		20,000		20,000	581,330		561,330
State Grants		300,000		300,000	364,274		64,274
Assessment Revenue		2,500		2,500	61,112		58,612
Charges for Services		5,500		5,500	3,615		(1,885)
Fines & Forfeits		200		200	11,601		11,401
Interest		30,000		30,000	266,171		236,171
Other		183,100		183,100	 22,285		(160,815)
otal Resources		729,300		729,300	 1,513,783		784,483
Amounts Available for Appropriation		2,527,905		2,527,905	 6,319,495		3,791,590
Charges to Appropriations (Outflows)							
General Government :							
Township Board		33,500		33,500	32,839		661
Supervisor		40,435		41,035	40,987		48
Elections		18,450		18,450	1,396		17,054
Assessor		58,000		58,000	49,584		8,416
Attorney		66,000		66,000	17,820		48,180
Engineering		40,000		40,000	13,330		26,670
Audit		4,000		4,000	2,945		1,055
Clerk		81,970		81,970	74,526		7,444
Board of Review		4,000		4,000	1,093		2,907
Township Treasurer		55,700		55,700	53,293		2,407
Township Hall and Grounds		124,800		124,800	28,716		96,084
Planning Commission		50,650		50,650	22,472		28,178
Board of Appeals		2,800		2,800	951		1,849
Unallocated-Township at Large		366,450		365,850	 137,053		228,797
Total General Government		946,755		946,755	 477,005		469,750
Public Works :		40.000		40.000	04.005		47.005
Street Lighting		42,200		42,200	24,905		17,295
Highways and Streets	-	1,499,800		1,499,800	 1,140,015		359,785
Total Public Works	-	1,542,000		1,542,000	 1,164,920		377,080
Cultural and Recreational:		40.000		40.000			40.000
Parks and Recreation		12,000		12,000	-		12,000
Library		27,150		27,150	 16,401		10,749
Total Recreation and Cultural		39,150		39,150	 16,401	_	22,749
Transfers to Other Funds		-		<u>-</u>	 -		-
Total Charges to Appropriations		2,527,905		2,527,905	 1,658,326		869,579
	_		_			_	
Budgetary Fund Balance Ending	\$	-	\$	-	\$ 4,661,169	\$	4,661,169

BUDGETARY COMPARISON SCHEDULE FIRE FUND FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts				Actual		Variance with Final Budget - Positive	
	Original		Final		Amounts		(Negative)	
Beginning Fund Balance	\$	40,000	\$	40,000	\$	760,947	\$	720,947
Resources (Inflows)								
Assessment Revenue		495,000		495,000		560,798		65,798
Interest		6,000		6,000		54,499		48,499
State Grant		-		-		2,975		2,975
Other						6,027		6,027
Total Revenue		501,000		501,000		624,299		123,299
Amounts Available for Appropriation		541,000		541,000		1,385,246		844,246
Charges to Appropriations (Outflows) Public Safety								
Fire Station No. 1		80,000		80,000		78,061		
Fire Station No. 2		80,000		80,000		74,086		
Pay Per Call		201,500		201,500		70,961		
Total Public Safety		361,500		361,500		223,108		138,392
Debt Service								
Principal		13,500		165,000		162,482		
Interest and Fees		166,000		14,500		13,259		
		179,500		179,500		175,741		3,759
Total Charges to Appropriations		541,000		541,000		398,849		142,151
Budgetary Fund Balance Ending	\$		\$	<u>-</u>	\$	986,397	\$	986,397

BUDGETARY COMPARISON SCHEDULE BUILDING FUND FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts				Actual		Variance with Final Budget - Positive	
	Original		Final		Amounts		(Negative)	
Beginning Fund Balance	\$ 147,	000	\$	147,000	\$	376,470	\$	229,470
Resources (Inflows)								
Licenses and Permits	259,	000		259,000		111,291		(147,709)
Interest	2,	000		2,000		17,210		15,210
Total Revenue	261,	000		261,000		128,501	_	(132,499)
Amounts Available for Appropriation	408,	000		408,000		504,971		96,971
Charges to Appropriations (Outflows) Public Safety								
Wages	\$ 113,	000	\$	113,000		81,573		
Benefits	60,	000		60,000		55,416		
Supplies	17,	500		17,500		7,072		
Maintenance	6,0	000		6,000		2,591		
Professional Services	15,0	000		15,000		16,016		
Telephone	5,0	000		5,000		2,438		
Insurance	15,0	000		15,000		12,991		
Utilities	12,	000		12,000		5,761		
Inspection Fees	90,	000		90,000		38,381		
Other	67,	500		67,500		4,808		
Capital	7,0	000		7,000		2,510		
Total Charges to Appropriations	408,	000		408,000		229,557		178,443
Budgetary Fund Balance Ending	\$	_	\$	-	\$	275,414	\$	275,414